

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 16022 101536Z
ACTION EUR-12

INFO OCT-01 ISO-00 SCS-06 CA-01 CIAE-00 DODE-00 PM-05
H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02
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C O N F I D E N T I A L MOSCOW 16022

E.O. 11652: GDS
TAGS: BGEN, CASC, UR
SUBJECT: CRAWFORD ARREST: EMBASSY MEETING WITH
I-H EXECUTIVES JULY 8

REF: (A)STATE 172810, (B)MOSCOW 15855, (C)STATE 15140
(NOTAL)

1. INTERNATIONAL HARVESTER EXECUTIVES BRIAN REARDON
AND JOHN CHELLMAN, FIRM'S NEWLY-INSTALLED SENIOR REP IN
MOSCOW, CAME TO EMBASSY JULY 8 TO TALK WITH COMATT
ABOUT CRAWFORD AFFAIR. REARSON SAID HE WAS VERY
UPSET AND WANTED TO SET EMBASSY STRAIGHT ON WHAT
I-H HAS BEEN DOING ON CRAWFORD'S BEHALF. TO BEGIN,
REARDON SAID THAT I-H HAD SIGNED NO CONTRACTS WHAT-
SOEVER WITH SOVIETS SINCE CRAWFORD WAS ARRESTED.
(REARDON HAD EARLIER TOLD E/C COUNSELOR HE HAD
BEEN PLEASANTLY SURPRISED THAT SOVIETS WERE STILL
READY TO SIGN CONTRACTS WITH I-H.) HE SAID THAT
PRESS REPORTS ALLUDING TO MULTI-MILLION DOLLAR DEALS
IN MAKING WERE FALSE AND MISLEADING. REARDON SAID
THAT HE HAD JUST RECEIVED TELEPHONE COMPLAINT FROM
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CONFIDENTIAL

PAGE 02 MOSCOW 16022 101536Z

CHICAGO ABOUT STATEMENT ATTRIBUTED TO CRAWFORD IN
NEWSWEEK--WHICH WILL HIT STANDS IN U.S. WEEK OF
JULY 10--TO EFFECT THAT I-H WAS NOT DOING ENOUGH
FOR HIM. CRAWFORD HAD VIGOROUSLY DENIED TO REARDON
HAVING TALKED TO ANY U.S. CORRESPONDENTS, INCLUDING
NEWSWEEK'S MAN IN MOSCOW. REARDON REPORTEDLY TOLD
CRAWFORD THAT IF HE WAS ENGAGING IN SUCH ACTIVITY

WITH PRESS THAT I-H MIGHT JUST FORGET ABOUT ENTIRE MATTER.

2. REARDON ARGUED THAT CONCLUSION SHOULD NOT BE DRAWN FROM I-H'S RELATIVE SILENCE ON ISSUE THAT FIRM WAS DOING NOTHING FOR ITS EMPLOYEE. IN FACT, CHAIRMAN MCCORMICK HAD BEEN IN CONTACT WITH SEVERAL PEOPLE BY LETTER, BY PHONE AND THROUGH PERSONAL VISITS, TRYING TO SET MATTER STRAIGHT ALTHOUGH REARDON VOLUNTEERED NO SPECIFICS. REARDON SAID THAT HE HAD URGED I-H CHICAGO HEADQUARTERS TO PREPARE AND MAKE PUBLIC A "WHITE PAPER" ON WHAT FIRM HAD BEEN DOING ON CRAWFORD'S BEHALF. FINALLY, REARDON CLAIMED THAT HE HAD DISCUSSED ISSUE "FRANKLY" WITH MINISTRY OF FOREIGN TRADE PROTOCOL CHIEF RAKHMANIN AND LATTER'S DEPUTY, SHPINKOV, DURING LUNCH JULY 7 (SEE REFTEL B). WITHOUT GOING INTO DETAILS, REARDON MAINTAINED THAT HE FELT I-H HAD GOTTEN BETTER OF MEETING. REARDON WANTED EMBASSY, AND ESPECIALLY AMBASSADOR TOON, TO UNDERSTAND FIRM'S POSITION.

3. COMATT TOLD REARDON THAT HE WAS GLAD TO HAVE THIS STATEMENT OF SITUATION AS I-H SAW IT, AND URGED REARDON TO KEEP MORE CLOSELY IN CONTACT WITH EMBASSY ON CRAWFORD AFFAIR IN FUTURE. FROM OUT POINT OF VANTAGE, IT APPEARED THAT BUSINESS WAS BEING CONDUCTED AS USUAL, WHICH SEEMED TO RUN COUNTER TO REARDON'S ASSERTION THAT EVERYTHING CONFIDENTIAL

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PAGE 03 MOSCOW 16022 101536Z

POSSIBLE WAS BEING WE ALSO DID NOT THINK THIS WAS AN APPROPRIATE TIME TO INTRODUCE JOHN CHELLMAN ON SCEN AS NEW SENIOR REPRESENTATIVE FOR I-H. MOREOVER, COMATT DID NOT SEE HOW I-H COULD DUCK CRAWFORD AFFAIR. HE SAID THAT IF FIRM BACKED AWAY FROM CRAWFORD NOW, THE PRESS WOULD SURELY NOTE SUCH A DEVELOPMENT WITH CRITICAL ATTENTION.

4. COMMENT: THIS MEETING TOOK PLACE BEFORE RECEIPT OF REFTEL (A). WE VIEW AS A POSITIVE DEVELOPMENT FACT THAT I-H IS FEELING HEAT FROM UNFLATTERING PRESS COVERAGE IT IS BEGINNING TO RECEIVE. THIS SHOULD SERVE TO KEEP FIRM'S POLICYMAKERS' FEET TO FIRE AND GIVE THEM PAUSE ABOUT ACCELERATING BUSINESS ACTIVITIES UNDER CURRENT CIRCUMSTANCES. WE ARE GENERALLY HEARTENED BY I-H'S CLAIM (REFTEL A) THAT THEY INTEND TO TAKE HARDER LINE WITH SOVIETS IN FUTURE. MATLOCK

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